

Media Brief

28 April 2015

Expert evidence given to case against Adani coal mine at Carmichael

Executive Director of The Australia Institute, Richard Denniss, today delivered expert witness testimony to a court challenge of the approval of a major coal mine in the Galilee Basin.

Summary:

Adani have long claimed in public that the Carmichael mine project will create 10,000 jobs.

In court, Adani's own economist testified that the project would only create 1,464 jobs - just 14% of the public claims.

- Adani have claimed for many years that their Carmichael project would generate 10,000 jobs. They have made this claim on [TV ads](#), in the lead up to the [Queensland election](#) and recently in a [letter to ASIC](#).
- This claim is based on the economic modelling submitted in their project application, specifically the economic appendix to the Supplementary Environmental Effects Statement, [available here](#), see Table 9 on p30. The bottom row of the table shows total employment estimate of 9,671 in year 10, going to 10,797 in year 18.
- The type of model used to make this estimate is known as "input-output" modelling. It is inappropriate for this sort of project assessment as it is mathematically certain to overstate employment effects as it assumes there is an infinite supply of skilled labour. The ABS says this modelling is "[biased](#)", the Productivity Commission says it is "[abused](#)". The NSW Land and Environment court said it is "[deficient](#)".
- In preparing for this court case, Adani have not used their original economist, but have employed Dr Jerome Fahrer of ACIL Allen. Dr Fahrer agrees with all this criticism. In 2013 he told the NSW Land and Environment Court:

[In the Land and Environment Court] input/output modelling was criticised by the chief judge and ... for good reason. Input/output modelling is fine for some purposes but it's not the best technique ... for this kind of purpose [evaluating a coal mine].

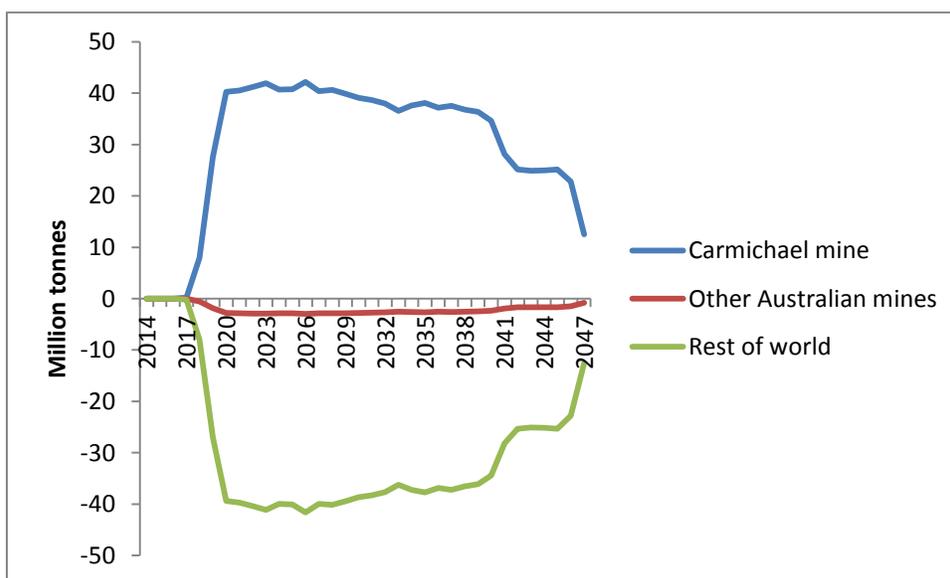
Source: Ashton SEOC court case - 2012/11154 - HUNTER ENVIRONMENT LOBBY INC v MINISTER FOR PLANNING & INFRASTRUCTURE & ANOR. - Transcript available on request.

Adani economist says building Carmichael mine will reduce world coal production.

For media enquiries, please contact:

Tom Burmester 0468 926 833

- Dr Fahrer's model assumes that for every tonne of coal produced by Carmichael, a producer somewhere in the world will immediately decide to not produce the same amount of coal.
- Dr Fahrer has not, so far, explained why other suppliers would reduce output in this perfect manner.
- Additionally, Dr Fahrer assumes the project will slightly push up mining costs in Australia, resulting in a decline in Australian coal production of around 2 million tonnes per year:



Source: based on data supplied by Dr Fahrer on request

- Because of this assumption, Dr Fahrer is able to conclude the project will have no effect on coal consumption (and therefore climate change), and no effect on coal prices. Note the contradiction that coal price does not change, but other suppliers reduce production without any price signal.

Adani economist says building Carmichael mine will reduce Australian coal jobs

- Because Dr Fahrer assumes the project will push up mining costs in Australia, reducing coal output, this also affects mining employment.
- His model predicts the Carmichael project will reduce employment in the Australian coal sector by up to 350 jobs.

Other key points from Dr Fahrer's evidence:

- Assumes the project is financially viable.
- Assumes no expansion of Abbot Point port is required.
- Makes no estimate of the costs and benefits of the project to Queensland
- Details on any of these points available on request.

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Quotes from testimony:

Dr Denniss expressed "Shock, and surprise, at Adani's economic modelling, which would fail first year economics".

"Adani's modelling of the coal market is remarkable and bizarre."

Richard Denniss and Rod Campbell will be available for comment following the court proceedings on Monday 27th April at approximately 4pm.

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